

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE ELIHU-RUSH)
BRANCH WATER ASSOCIATION, INC.,)
OF PULASKI COUNTY, KENTUCKY, FOR)
(1) A CERTIFICATE OF PUBLIC CON-)
VENIENCE AND NECESSITY AUTHORIZING)
AND PERMITTING SAID WATER ASSOCIATION)
TO CONSTRUCT A WATER WORKS CONSTRUCTION)
PROJECT, CONSISTING OF EXTENSIONS,) CASE NO. 8224
ADDITIONS AND IMPROVEMENTS TO THE)
EXISTING WATERWORKS SYSTEM OF THE)
ASSOCIATION; AND (2) APPROVAL OF THE)
PROPOSED PLAN OF FINANCING OF SAID)
PROJECT; AND (3) APPROVAL OF THE IN-)
CREASED WATER RATES PROPOSED TO BE)
CHARGED BY THE ASSOCIATION TO THE)
CUSTOMERS OF THE ASSOCIATION.)

INTERIM ORDER

Preface

On April 16, 1981, the Elihu-Rush Branch Water Association, Inc., ("Utility") filed with this Commission its duly verified application seeking a certificate of public convenience and necessity authorizing the construction of extensions, additions, and other improvements to its existing water distribution system. The Utility also seeks approval of the proposed method of financing the project and approval of proposed adjustments to its existing rates for providing water service. Approximately 423 customers are currently being served by the Utility. Approximately 77 new customer connections are included in the proposed construction.

This case was set for hearing at the Commission's offices in Frankfort, Kentucky, July 29, 1981. Notification of all parties of interest was made in accordance with the Kentucky Revised Statutes and no protests were entered.

This Interim Order addresses the construction and financing proposals of the Utility. A subsequent Order of this Commission will address the matter of the adjustment in rates sought by the Utility.

A copy of a letter from the Sanitary Engineering Division of the Kentucky Department for Natural Resources and Environmental Protection approving the Utility's plans and specifications for the proposed project is on file with this Commission.

Findings in This Matter

The Commission, after a review of the record and being advised, is of the opinion and finds that:

1. Public convenience and necessity requires construction of the Utility's proposed waterworks project in Pulaski County, Kentucky, as set forth in the application.

2. The construction bids expire on September 20, 1981. Therefore, the Commission finds that this Order addressing the certification of construction should be entered prior to the date of a final Order in this case.

3. No specific findings are made herein regarding the proposed rates. In the final Order in this case, the Commission

will set rates necessary to provide the Utility with an opportunity to recover its reasonable operating cost, service its debt and provide a reasonable surplus for equity growth.

4. The construction project proposed by the Utility consist of a 4-inch water meter, a water booster pump station, a 50,000 gallon elevated water storage tank, other appurtenances and improvements, and approximately 57,607 feet of additional water distributions mains, all at a total project cost of approximately \$454,000.

5. The financing of this project in the amount of \$454,000 is composed of a \$98,400 FmHA loan, \$337,600 FmHA grant and \$18,000 in contributions from applicants for water service.

6. The financing of this project, as delineated in finding number five herein, is for lawful objects within the corporate purposes of the Utility, is necessary and appropriate for and consistent with the proper performance by the Utility of its service to the public, and will not impair its ability to perform that service.

7. Any construction deviations from the contract plans and specifications herein approved, which could adversely affect service to any customer, should be subject to the prior approval of this Commission.

8. The Utility should furnish the Commission with duly verified documentation of the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

9. The contract between the Utility and the engineer should require the engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

10. Within 60 days of the date of substantial completion of this construction, the Utility should require the engineer to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

Orders in This Matter

The Commission, on the basis of the matters hereinbefore set forth and the evidentiary record in this case:

HEREBY ORDERS that the Utility be and it is hereby granted a certificate of public convenience and necessity for the construction of the waterworks improvements delineated by its contract plans and specifications thereto, as filed in the record in this matter.

IT IS FURTHER ORDERED that the Utility be and it is hereby authorized to finance its proposed construction by means of the \$454,000 financing that has been secured as follows: \$337,600 FmHA grant, 40-year FmHA bonds in the amount of \$98,400 at FmHA's current rate of interest and \$18,000 in contributions from applicants. Further, this \$454,000 in project funds shall be used only for the lawful objects as set forth in the application.

IT IS FURTHER ORDERED that any construction deviations from the said contract plans and specifications which could

adversely affect service to any customer shall be subject to the prior approval of this Commission.

IT IS FURTHER ORDERED that the Utility shall file with this Commission a duly verified document or documents which show the total cost of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed.

IT IS FURTHER ORDERED that the contract between the Utility and the Engineer shall require the engineer to provide general engineering supervision and full-time resident inspection under his supervision to insure that the contractor's construction work conforms to the best construction practices and is done in accordance with the contract plans and specifications.

IT IS FURTHER ORDERED that the Utility shall require the engineer, within 60 days of the date of substantial completion of the proposed construction, to furnish this Commission with a copy of the as-built plans and a certification that the construction has been satisfactorily completed and has been done in accordance with the contract plans and specifications.

Nothing contained herein shall be deemed a warranty by the Commonwealth of Kentucky, or agency thereof, of the financing herein authorized.

Done at Frankfort, Kentucky, this 28th day of September,
1981.

PUBLIC SERVICE COMMISSION

Marlin Smith
Chairman

Katherine Randall
Vice Chairman

Jim Carrigan
Commissioner

ATTEST:

Secretary